

RAK

CERAMICS

EARNINGS PRESENTATION - Q1 2021 RESULTS

MAY 2021

Attendees



Abdallah Massaad
Group Chief Executive Officer

Abdallah Massaad is Group CEO of RAK Ceramics and has more than 23 years experience in ceramics manufacturing, sales management, product marketing and business leadership. Prior to RAK Ceramics, Mr. Massaad was General Manager of ICC SARL, Lebanon.

Mr. Massaad holds post graduate qualifications in Management (DEA in Business Administration) and an undergraduate degree (Maitrise in Business Administration - Marketing) from Université Saint-Esprit de Kaslik, Lebanon.



PK Chand
Group Chief Financial Officer

Pramod Kumar Chand is the Group Chief Financial Officer of RAK Ceramics. Mr. Chand has wide experience in dealing with corporate finance matters including treasury and working capital financing, project finance, venture capital, debt and equity capital market instruments, fund raising processes and general management.

Mr. Chand is a Member of the Institute of Chartered Accountants of India (CA) and has been a rank holder and winner of the A F Ferguson award.

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Revenue and profitability surpass pre-pandemic levels to record high performance.

MANAGEMENT COMMENTS

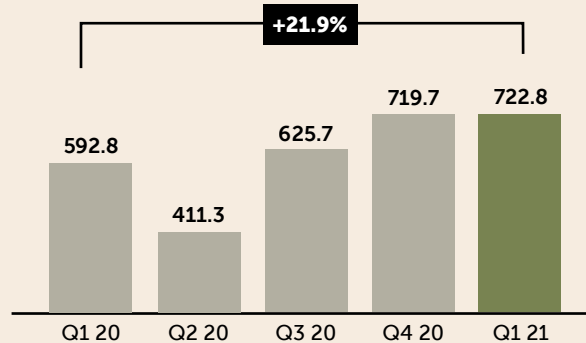
Total revenue for Q1 2021 is the highest it has been in 5 years, increasing by 21.9% year on year to AED 722.8 million driven by growth in all core markets.

Reported net profit stands at AED 62.7 million, outperforming pre-pandemic levels of profit (AED 30.2 million in Q1 2020).

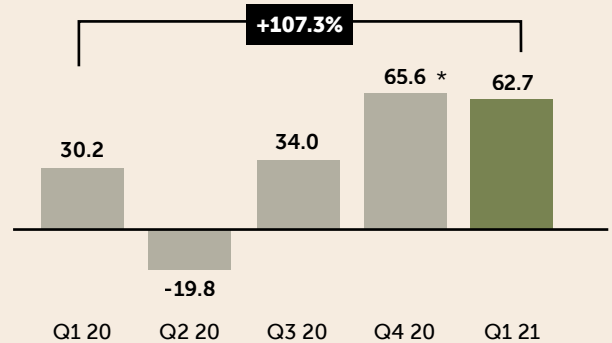
Like-for-like Profit higher than pre-pandemic levels increasing 90.6% YoY to reach AED69.2m in Q1 21.

Total gross profit margin for Q1 2021 reached an all-time high of 35.0% driven by an increase in revenue, an improvement in efficiencies and the optimisation of production lines.

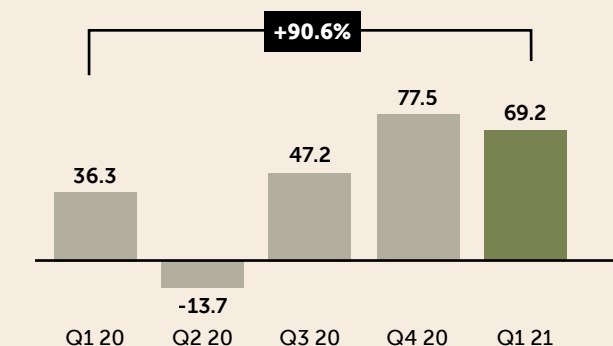
TOTAL REVENUE (AEDM)



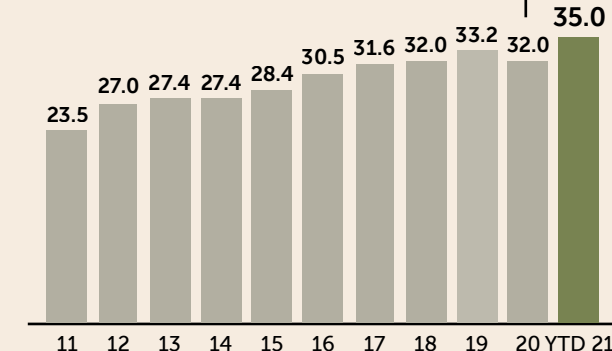
REPORTED NET PROFIT (AEDM)



LIKE-FOR-LIKE NET PROFIT ** (AEDM)



GROSS PROFIT MARGIN (%)



*Excluding impairment loss on real estate properties and provision on dues in relation to leased hotel.
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**Like for Like net profit working is given in Slide # 17

Q1 2021 Key financial highlights

Total revenue increased by +21.9% YoY to AED 722.8m driven by growth in all markets. QoQ revenue is increased by +0.4%.

AED 722.8_M

Total gross profit margin increased by +230bps YoY to 35.0%. Tiles margin increased by +560 bps at an all-time high of 35.5%

35.0%

Reported net profit is higher at AED 62.7m compared to AED 30.2m in last year. Margin is 8.4% compared to 5.1% in Q1 2020. **Net profit after minority** is AED 60.7m compared to AED 25.7m in last year.

AED 62.7_M

Like for like net profit* is higher at AED 69.2m compared to AED 36.3m in Q1 2020. Margin is 9.6% compared to 6.1% in Q1 2020.

AED 69.2_M

Total EBITDA is at AED 126.1m compared to AED 95.2m in Q1 2020. Margin is 17.4% compared to 16.1% in Q1 2020.

AED 126.1_M

Net Debt decreased by AED 87.8m to 1.14bn in Mar 21 from AED 1.23bn in Dec 2020. **Net Debt to EBITDA** decreased from 3.25x in Dec 2020 to 2.79x in Mar 2021.

2.79_x

*Like for Like net profit working is given in Slide # 17

Q1 2021 Key market highlights

UAE Production Optimisation

Strong start to the year, despite the impact of COVID-19, the UAE workforce was not reduced and production reached the highest level in 5 years due to increased demand from Saudi Arabia.

Strong Growth in Saudi Arabia

Strategy to establish Saudi Arabia as a key market continues to yield results. Continued investment in differentiated tiles and new showrooms, which has positioned RAK Ceramics as the go-to provider of premium ceramic products in the Kingdom.

European Recovery

The business surpassed pre-pandemic levels of operation and was able to increase its customer base in Central Europe and the UK by differentiating itself from competitors and providing superior product management.

India turnaround

Implemented several initiatives to streamline the business. The sales strategy was improved. Improved economic activity and positive business sentiments in the real estate sector led to increased demand and steady growth in revenue.

Bangladesh Rebound

Production is running at optimum capacity. RAK Ceramics introduced new products for the rural and urban segments of the market, improving brand visibility. This has led to an increase in market share.

Tableware Performance

Tableware showing early signs of recovery, but the series of lockdowns and restrictions across globe due to second wave of COVID-19 have adversely impacted both HORECA and Airline industry which is the life of business.

Q1 2021 Strong regional performance

REVENUE BY END MARKET (AED M)

	QUARTERLY COMPARISON						
	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21		
	Amount	Amount	Amount	Amount	Amount	YoY Growth	GoQ Growth
United Arab Emirates	159.5	138.2	147.4	169.3	162.9	2.1%	-3.8%
Kingdom of Saudi Arabia	91.5	69.1	137.8	130.8	163.3	78.5%	24.8%
Middle East (Ex. UAE and KSA)	20.9	19.6	19.2	27.3	23.4	11.5%	-14.6%
India	57.7	29.1	66.7	88.5	96.3	67.0%	8.8% *
Europe	81.6	65.3	91.5	99.0	100.2	22.7%	1.2%
Bangladesh	63.1	21.2	61.9	81.0	75.0	18.9%	-7.3%
Africa	17.2	9.4	18.7	18.3	19.3	12.2%	5.3%
Rest of the world	16.9	17.3	16.5	20.1	18.1	7.3%	-10.1%
Tiles and sanitaryware revenue	508.4	369.3	559.7	634.4	658.3	29.5%	3.8%
Tableware revenue	51.3	21.4	31.3	43.0	41.1	-19.9%	-4.3%
Others revenue	33.0	20.4	34.8	42.4	23.4	-29.2%	-44.8%
Total Revenue	592.8	411.3	625.7	719.7	722.8	21.9%	0.4%

*in LCY (-) 68.5%

Revenue highlights

MANAGEMENT COMMENTS

Strong first quarter due to favorable business momentum in all our core business units excluding tableware.

Total revenue is increased by +21.9% YoY to AED 722.8m and +0.4% QoQ.

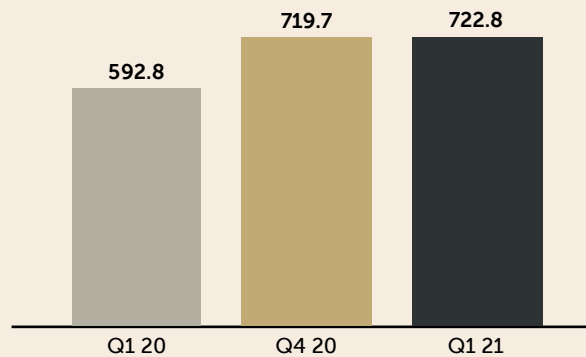
Robust performance in tiles segment with revenue increase of +32.0% YoY and +6.5% QoQ at AED 520.2m driven by all markets.

Sanitaryware revenue is also higher by +20.7% YoY driven all markets, except UAE and Saudi Arabia.

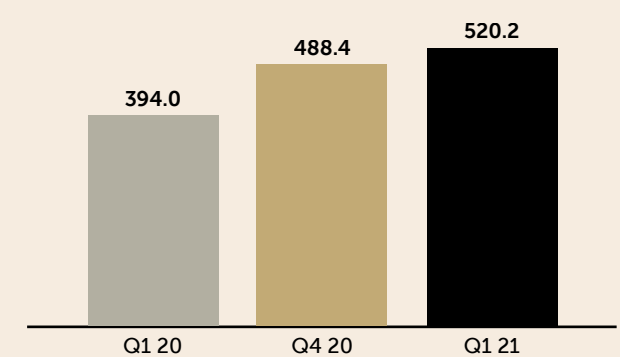
Tableware revenue continues to suffer due to COVID-19 impact in the hospitality and airlines sectors.

Revenue from other business is lower by -29.2% YoY to AED 23.4m due to lower revenue from raw material trading business.

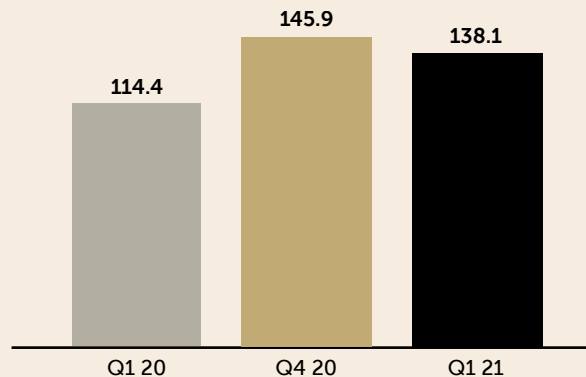
TOTAL REVENUE (AEDM)



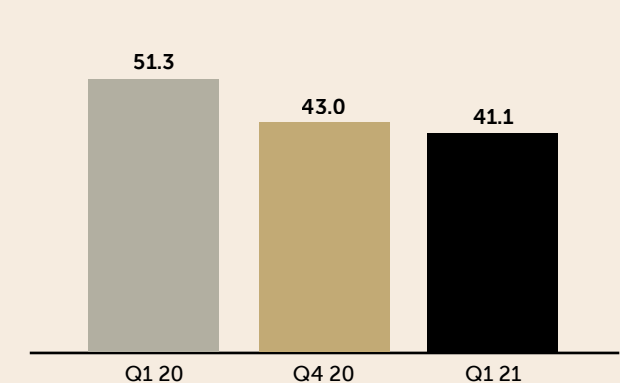
TILES REVENUE (AEDM)



SANITARYWARE REVENUE (AEDM)



TABLEWARE REVENUE (AEDM)



Gross profit margins

MANAGEMENT COMMENTS

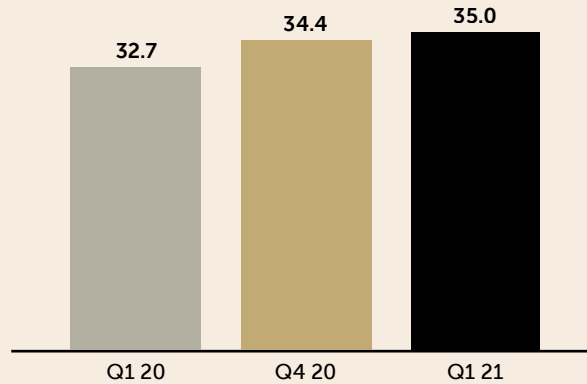
In Q1 2021, total gross margin increased by +230ps YoY to 35.0% and +60bps QoQ due to higher revenue, improved efficiencies and reduction in costs across all plants.

Tiles margin reached an all-time high with an increase of +560bps YoY to 35.5% mainly due to increase in production efficiencies across all tiles plants resulting lower cost of production.

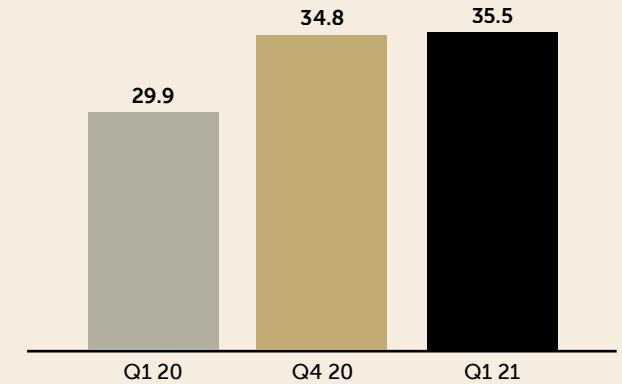
Sanitaryware margin is lower by -70bps YoY to 36.1%.

Tableware margins decreased by -18.1% YoY to 30.2% and -2.3% QoQ due to lower revenue and lower productivity.

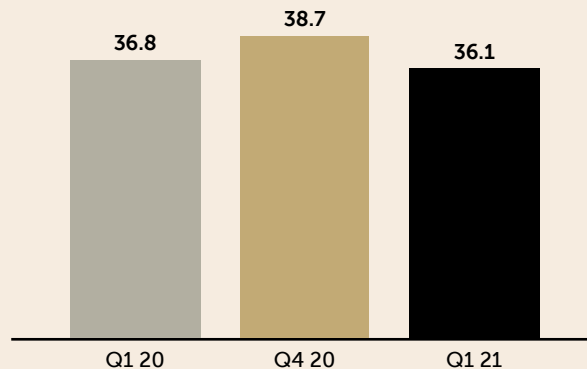
TOTAL GROSS MARGINS (%)



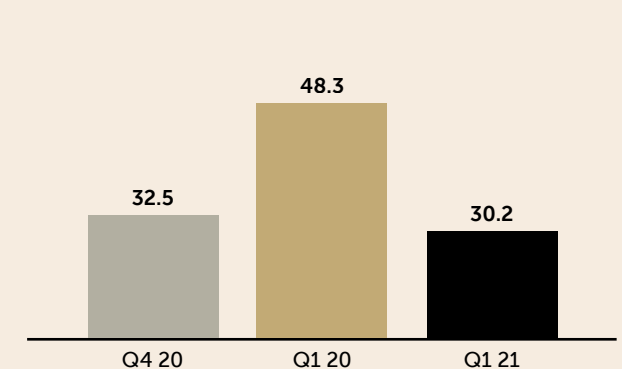
TILES GROSS MARGINS (%)



SANITARYWARE GROSS MARGINS (%)



TABLEWARE GROSS MARGINS (%)



Financial highlights

Amount in AED M	COMPARISON				
	Q 1 20	Q4 20	Q1 21		
	Amount	Amount	Amount	YoY Growth	QoQ Growth
Revenue	592.8	719.7	722.8	21.9%	0.4%
Gross margin (%)	32.7%	34.4%	35.0%	2.3%	0.6%
SG&A Fixed Expenses	117.8	103.8	104.8	13.0	(1.0)
EBITDA	95.2	137.8	126.1	32.5%	(8.5%)
Reported net profit/(loss)	30.2	(170.7)	62.7	107.3%	NA
Like for like net profit*	36.3	77.5	69.2	90.6%	(10.8%)
Capital expenditure	27.6	34.1	16.3	41.0%	52.3%
Net debt	1,487.0	1,229.2	1,141.3	23.2%	7.1%
Net debt / EBITDA	3.10x	3.25x	2.79x	10.0%	14.2%

*Like for Like net profit working is given in Slide # 17

Working capital cycle

MANAGEMENT COMMENTS

Inventory days decreased from 246 days to 225 days QoQ due to decreased inventories.

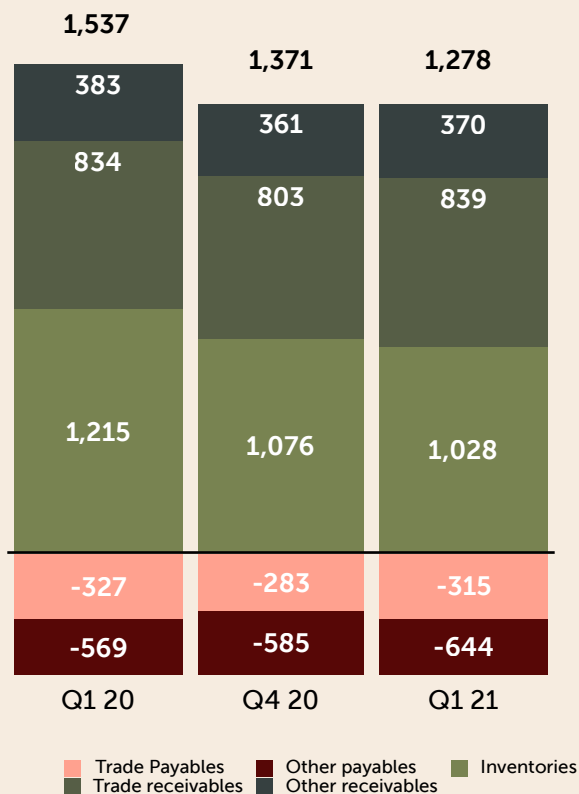
Trade receivable days also decreased from 125 days in Q4 20 to 123 days in Q1 21 due to increased LTM sales.

Trade payable days increased from 65 days to 69 days QoQ.

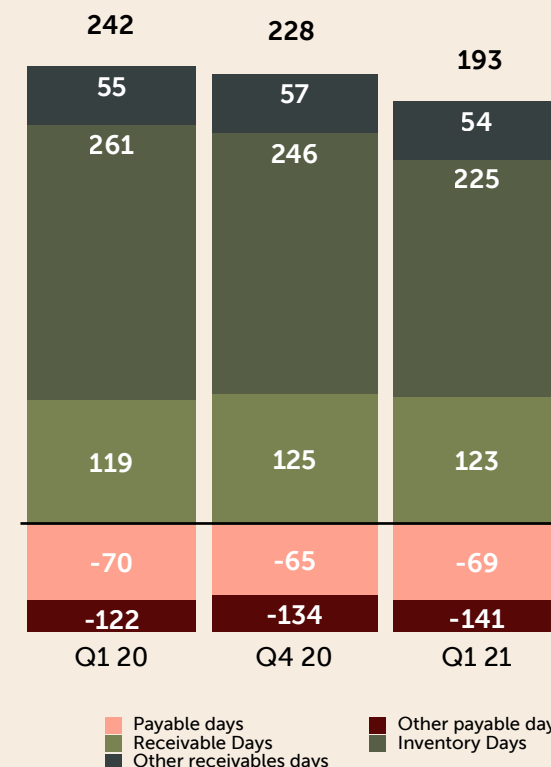
Overall working capital days decreased QoQ from 228 days to 193 days due to inventory reduction. In absolute terms overall working capital is reduced QoQ by AED 94m at AED 1.28bn.

We continue to take measures to manage our liquidity.

WORKING CAPITAL CYCLE (AEDM)



WORKING CAPITAL CYCLE (LTM DAYS)



2021 Priorities

Protect Market Share

Protect market share and profitability in the UAE, Bangladesh and faucets businesses.

Improve tableware performance

Improve performance in light of the ongoing impact in the Airlines and Hospitality sector.

Build Retail Concept

Retail concept in focus markets through franchising.

To Grow

Profitability in Saudi Arabia through differentiated products and retail roll-out.

Turnaround

Turnaround in Europe and Indian operations by ongoing cost control measures.

Branding

Brand perception with collaborations with designers.

Outlet stores and E-commerce

Outlet stores across UAE and Saudi Arabia. Online presence by launching e-commerce platform.

Productivity & efficiency

Improve productivity and efficiency to control operating costs.

Covid Measures

Initiatives to mitigate impact of second wave of Covid-19 in India and Bangladesh. Employee Health Safety as the pandemic continues.

Appendix



Tiles revenues by end market

	COMPARISON				
	Q 1 20	Q4 20	Q1 21		
Amount in AED M	Amount	Amount	Amount	Growth YoY	Growth QoQ
United Arab Emirates	123.1	133.1	127.4	3.5%	(4.3%)
Kingdom of Saudi Arabia	86.1	125.2	158.3	83.9%	26.5%
Middle East (Ex. UAE and KSA)	18.5	22.0	19.7	6.6%	(10.5%)
India	52.9	81.3	88.5	67.4%	8.9%
Europe	38.5	38.3	41.5	7.8%	8.5%
Bangladesh	46.2	58.1	53.6	15.9%	(7.8%)
Africa	14.7	15.3	16.4	11.4%	6.9%
Rest of the world	14.1	15.2	14.8	4.9%	(2.8%)
Total	394.1	488.4	520.2	32.0%	6.5%

Sanitaryware revenues by end market

	COMPARISON				
	Q 1 20	Q4 20	Q1 21		
Amount in AED M	Amount	Amount	Amount	Growth YoY	Growth QoQ
United Arab Emirates	36.5	36.2	35.5	(2.9%)	(2.0%)
Kingdom of Saudi Arabia	5.4	5.7	5.0	(7.9%)	(12.3%)
Middle East (Ex. UAE and KSA)	2.4	5.3	3.6	49.3%	(31.2%)
India	4.8	7.3	7.8	62.4%	6.9%
Europe	43.1	60.7	58.7	36.0%	(3.4%)
Bangladesh	16.9	22.9	21.5	27.4%	(6.3%)
Africa	2.4	3.0	2.9	18.9%	(2.8%)
Rest of the world	2.9	4.9	3.3	13.4%	(33.2%)
Total	114.4	145.9	138.1	20.7%	(5.3%)

EBITDA working

	QUARTERLY COMPARISON		
	Q1 20	Q4 20	Q1 21
Amount in AED M	Amount	Amount	Amount
Net profit/(loss) after tax	30.2	(170.7)	62.7
Tax	3.2	10.2	5.6
Interest- net	16.6	18.5	15.3
Depreciation & amortisations	44.8	43.3	42.1
Depreciation on hyper inflated assets	0.0	0.8	0.3
Impairment loss on real estate properties	0.0	213.2	0.0
Provision on dues in relation to leased Hotel impacted by Covid 19	0.0	23.1	0.0
Loss /(gain)on sale of assets and CWIP write-off	0.4	(0.5)	0.1
EBITDA	95.2	137.8	126.1

Like for Like net profit working

	COMPARISON		
	Q1 20	Q4 20	Q1 21
Amount in AED M	Amount	Amount	Amount
Net profit /(loss) after tax	30.2	(170.7)	62.7
Add: Impairment on trade receivables	6.1	10.0	5.7
Add: Hyper-inflation impact	0.0	1.9	0.8
Impairment loss on real estate properties	0.0	213.2	0.0
Provision on dues in relation to leased Hotel impacted by Covid 19	0.0	23.1	0.0
Like for Like Net profit	36.3	77.5	69.2

Contacts

INVESTOR RELATIONS

If you have any questions or require further information, please do not hesitate to contact our investor relations department.

Investor Relations

RAK Ceramics
Al Jazeera Al Hamra
PO Box 4714
Ras Al Khaimah
United Arab Emirates

T: +971 7 246 7325
ir@rakceramics.com
rakceramics.com

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